

**Thompson, Carol (MSHDA)**

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**From:** Levine, Mary (MSHDA)  
**Sent:** Thursday, May 31, 2007 10:27 PM  
**To:** Benson, Chad (MSHDA)  
**Cc:** Thompson, Carol (MSHDA)  
**Subject:** FW: Comments on Michigan's QAP

add'l comments for posting.

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**From:** Tracy Kaufman [mailto:tkaufman@NHTINC.ORG]  
**Sent:** Thu 5/31/2007 5:21 PM  
**To:** Levine, Mary (MSHDA)  
**Cc:** McMillan, Donna (MSHDA)  
**Subject:** Comments on Michigan's QAP

Mary, Donna --

Although we were unable to participate in Michigan's information forums earlier this month, we appreciate the opportunity to submit the comments and recommendations on Michigan's Qualified Allocation Plan. Please find attached to this email our comments along with additional materials that are referenced in our comments.

If you would like hard copies of any of the materials, I'd be happy to send them along.

I thank you in advance for your consideration of our comments.

-- Tracy

*Please Note: Our e-mail system will be down during the weekend of June 1st-3rd. We will not receive any incoming e-mails over that weekend.*

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Tracy Kaufman  
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May 31, 2007

Mary Levine  
Senior Manager of LIHTC  
Michigan State Housing Development Authority  
P.O. Box 30044  
Lansing, Michigan 48912

**Re: Michigan's Qualified Allocation Plan**

Dear Ms. Levine:

The National Housing Trust is a national nonprofit organization formed to preserve and improve affordable multifamily homes for low- and moderate-income use. We pursue our mission through our multi-faceted expertise in the development, financial, regulatory, tax, legal and public policy aspects of affordable housing. Over the past 8 years, NHT and our affiliate, NHT-Enterprise Preservation Corporation, have preserved more than 21,000 affordable apartments in 42 states, leveraging more than \$1 billion in financing. **Although we were unable to participate in your information forums, we appreciate the opportunity to submit the comments and recommendations below on Michigan's Qualified Allocation Plan.**

***Affordable Housing***

Our nation faces a serious shortage of housing for low- and moderate-income individuals and families. Over the last decade, more than 15% of our affordable housing stock nationwide has been lost to market-rate conversion, gentrification, deterioration and demolition, amounting to 300,000 fewer apartments and the loss of considerable public investment. **In Michigan alone, more than 12,000 HUD-assisted apartments were lost between 1995 and 2003.** Every year, as more apartments become eligible to opt-out of federal use restrictions, we lose thousands of affordable apartments to market rate conversion.

Our nation's housing market remains strong and homeownership rates are at record highs, but many Americans—particularly the poorest Americans—depend on access to affordable rental housing. Our existing multifamily housing stock provides a foundation on which millions of low-and moderate-income people support their families, build their communities and pursue advancement.

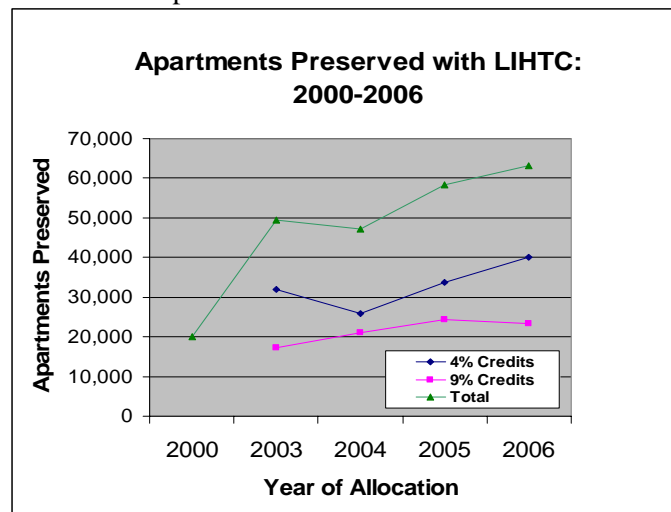
National Preservation Initiative

Communities around our country face a critical choice: preserve existing affordable housing options or lose this valuable resource forever. Taking action in favor of preservation is economically efficient, socially responsible and environmentally sustainable:

- Preservation of existing housing is  $\frac{1}{3}$  less expensive than replacing units with new construction.
- Preservation maintains a mix of income profiles and housing options in strong markets.
- Existing housing is often located near jobs and transportation, lending preservation to “smart growth” development initiatives.
- Renovation of existing housing is inherently sustainable, conserving energy, land and other resources.
- The replacement of existing affordable housing with new construction is often unrealistic due to land use restrictions, material and labor costs, NIMBYism and other political constraints.

States around the nation have recognized that preservation is a common sense solution to America’s affordable housing shortage, and have prioritized preservation and rehabilitation in their QAPs. NHT has found that 46 state agencies set aside or prioritize competitive 9% tax credits for the preservation of existing affordable housing.

This trend has preserved an increasing number of affordable apartments each year, with more than 60,000 affordable units saved nationwide in 2006.



### ***Preservation in Michigan***

**Michigan has a significant preservation problem: 447 project-based Section 8 properties with 36,499 assisted units will expire in Michigan before the end of FY 2012. Of these expiring contracts 180 properties with 18,163 assisted units are owned by a for-profit owner.** In general for-profit owners are more likely to opt out than nonprofit owners. **In addition, Michigan has 704 rural Section 515 properties with 9,198 affordable apartments that may be at risk due to high operating costs, low rents and physical deterioration.** This housing is a unique resource, providing homes for some of Michigan’s lowest-income families and elderly citizens.

By prioritizing preservation, Michigan’s Qualified Allocation Plan can provide the critical incentives necessary to prevent the loss of this indispensable affordable housing. Property owners, nonprofit organizations, developers and local governments depend on state housing finance agencies to provide the financial and technical assistance necessary to preserve affordable housing for future generations.

Michigan has proven itself as a leader in affordable housing preservation. **With Michigan’s 30% preservation holdback, the state is one of 25 states that prioritize preservation in its tax credit programs by setting aside a portion of its tax credit specifically for preservation.** Each year, additional state’s follow Michigan’s lead. This year, three states created preservation set-asides in their QAPs.

Michigan’s past preservation efforts have been highly successful. In 2003 – 2006, at least 101 properties with 10,474 apartments were preserved in Michigan with 9% and 4% Low Income Housing Tax Credits. **The decision to increase the preservation holdback from 20% to 30% in the 2005-06 QAP has paid great dividends. Michigan nearly doubled the number of units preserved with competitive tax credits between 2004 and 2006, going from less than 1,000 units in 2004 to nearly 1,900 units last year.** The state’s Five Year Housing Plan includes “Improving and preserving the

existing affordable housing stock and neighborhoods” as a top priority; these modernized properties are a key part of making this goal a reality. **We strongly urge MSHDA to maintain its 30% holdback for proposals involving the preservation and rehabilitation of existing multifamily rental housing in your final QAP.**

### ***Preservation is Green***

State and local agencies are increasingly encouraging, and in some cases requiring, that affordable housing development proposals incorporate green building practices. The preservation of existing affordable housing is fundamentally green: rehabilitation produces less construction waste, requires fewer new materials and consumes less energy than demolition and new construction. Using green building strategies, preservation projects can deliver significant health, environmental and financial benefits to lower income families and communities, as well as developers, property managers and capital providers. Green technologies can be harnessed to promote energy and water conservation and provide operational savings through lowered utility and maintenance costs, all while providing residents with a healthier living environment (see attached brochure).

**We encourage MSHDA to integrate green building incentives into their QAP’s scoring criteria to promote the implementation of energy and water efficient design and healthy building materials selection.** Michigan manufacturers Whirlpool, Masco, and Dow Corning are leaders in producing energy efficient appliances, water conserving fixtures, energy saving windows, non-toxic adhesives and sealants, and more. MSHDA should champion the use of value-adding Energy Star appliances and lighting, low-VOC paints, adhesives, sealants, and flooring and water conserving fixtures and create new green section in the selection criteria. We urge you to acknowledge that preservation and rehabilitation are inherently green and create separate criteria for new construction and rehabilitation applicants. Among a number of QAP’s with green building platforms, North Dakota’s 2007 QAP ([www.ndhfa.state.nd.us](http://www.ndhfa.state.nd.us)) and California’s 2007 QAP and Regulations are particularly comprehensive.

### ***Conclusion***

It is fiscally prudent for states to balance tax credit allocations between new construction and preservation/rehabilitation. In an era of limited public resources, preservation is significantly more cost-efficient than new construction, requiring 40% less tax credit equity than new construction. I urge the Michigan SHDA to continue its support for the preservation of Michigan’s existing affordable housing by maintaining the 30% set-aside for preservation in the final 2008 QAP. I also urge MSHDA to encourage the use of green building techniques and materials for rehabilitation and preservation by awarding selection preference to green development proposals.

Thank you for the opportunity to comment on this important issue in the State of Michigan.

Sincerely,



Michael Bodaken  
Executive Director

Enclosures